

September 9, 1997

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON WAYS AND MEANS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES ON PROPOSED TARIFF LEGISLATION¹

Bill no., sponsor, and sponsor's state: H.R. 1677 (105th Congress), Representative Spratt (SC).

Companion bill: None

Title as introduced: To suspend temporarily the duty on certain chemicals.

Summary of bill:²

Temporarily suspends the most-favored-nation (MFN) rate of duty on imports of the two chemicals, caprolactam blocked methylene-bis-(4-phenylisocyanate) and N,N,N',N'-Tetrakis(2-hydroxyethyl)-hexane diamide until December 31, 2000.

Effective date: 15th day after enactment.

Retroactive effect: None

Statement of purpose:

Representative Spratt made no statement at the time the bill was introduced. This bill would suspend the duty on two chemicals, caprolactam blocked methylene-bis-(4-phenylisocyanate)³ (also known as Grilbond IL-6) and N,N,N',N'-Tetrakis(2-hydroxyethyl)-hexane diamide (also known as Beta Hydroxyalkylamide or Primid XL-552).

¹ Industry analyst: Eric Land (205-3349); attorney: Leo Webb (205-2599).

² See appendix A for definitions of tariff and trade agreement terms.

³ Chemical Abstracts Service lists this chemical as N,N'-(Methyenedi-4,1-phenylene)bis[hexahydro-2-oxo]-1H-azepine-1-carboxamide.

Product description and uses:

Caprolactam blocked methylene-bis-(4-phenylisocyanate):

This chemical is a caprolactam-blocked diisocyanate designed to be used in aqueous adhesive systems for the treatment of reinforcing polyester yarns or other fabrics used in the production of tires, conveyor belts, or other such finished products.

N,N,N',N'-Tetrakis(2-hydroxyethyl)-hexane diamide:

This chemical is a hydroxyalkylamide hardener used in exterior powder coatings (paints), primarily for metals.

Tariff treatment:⁴

<u>Product</u>	<u>HTS subheading</u>	<u>Col. 1-general rate of duty</u>
Caprolactam blocked methylene-bis-(4-phenylisocyanate)	3402.90.30	5.5% ad. val.
N,N,N',N'-Tetrakis(2-hydroxyethyl)-hexane diamide	3824.90.90	5% ad. val.

Structure of domestic industry (including competing products):

Caprolactam blocked methylene-bis-(4-phenylisocyanate):

According to the importer of the chemical, there are no U.S. firms producing the exact same material, although one U.S. producer, Uniroyal Chemical, makes a material that is directly competitive with the subject chemical.⁵ The importer of the chemical does not use it, but simply resells it in the domestic market.

N,N,N',N'-Tetrakis(2-hydroxyethyl)-hexane diamide:

According to the importer of the chemical, there are no U.S. firms producing the same or a related material. The importer of the chemical does not use it, but simply resells it in the U.S. market.

⁴ See appendix B for column 1-special and column 2 duty rates.

⁵ Fax from EMS-American Grilon to Andrew Hunter of Congressman Spratt's office dated June 9, 1997. Supplied to the Commission by Mr. Hunter on July 29, 1997, included in appendix C.

Private-sector views:

The Commission contacted the producer of the chemical that was reported to be competitive with caprolactam blocked methylene-bis-(4-phenylisocyanate), Uniroyal Chemical Company located in Middlebury, CT. Their comments are appended to this bill report.

U.S. consumption:

Caprolactam blocked

methylene-bis-(4-phenylisocyanate):	<u>1994</u>	<u>1995</u>	<u>1996</u>
	-----(\$1,000)-----		
U.S. production.....	0	0	0
U.S. imports.....	540	1,111	360
U.S. exports.....	0	0	0
Apparent U.S. consumption.....	540	1,111	360

Principal import sources: Switzerland

Principal export markets: None

N,N,N',N'-Tetrakis(2-hydroxyethyl)-
hexane diamide:

	<u>1994</u>	<u>1995</u>	<u>1996</u>
	-----(\$1,000)-----		
U.S. production.....	0	0	0
U.S. imports.....	0	0	0
U.S. exports.....	0	0	0
Apparent U.S. consumption.....	0	0	0

Principal import sources: None

Principal export markets: None

Effect on customs revenue:⁶

Future (1998-2000) effect:

	Estimated average annual revenue loss ⁷		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
	-----(\$1,000)-----		
Caprolactam blocked methylene-bis-(4-phenylisocyanate):	85	90	95
N,N,N',N'-Tetrakis(2-hydroxyethyl)- hexane diamide:		108	120 130

Retroactive effect: None.

Technical comments:

The spelling of N,N,N',N'-Tetrakis(2-hydroxyethyl)-hexane diamide should be corrected to read N,N,N',N'-Tetrakis(2-hydroxyethyl)-hexane diamide.

⁶ Actual revenue loss may be understated in the event of a significant increase in imports over the duty suspension period.

⁷ Estimates of revenue loss based on data originated by EMS-American Grilon, supplied to the Commission by Congressman Spratt's office on July 29, 1997.

APPENDIX A

TARIFF AND TRADE AGREEMENT TERMS

In the **Harmonized Tariff Schedule of the United States** (HTS), chapters 1 through 97 cover all goods in trade and incorporate in the tariff nomenclature the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description. Subordinate 8-digit product subdivisions, either enacted by Congress or proclaimed by the President, allow more narrowly applicable duty rates; 10-digit administrative statistical reporting numbers provide data of national interest. Chapters 98 and 99 contain special U.S. classifications and temporary rate provisions, respectively. The HTS replaced the **Tariff Schedules of the United States** (TSUS) effective January 1, 1989.

Duty rates in the **general** subcolumn of HTS column 1 are most-favored-nation (MFN) rates, many of which have been eliminated or are being reduced as concessions resulting from the Uruguay Round of Multilateral Trade Negotiations. Column 1-general duty rates apply to all countries except those enumerated in HTS general note 3(b) (Afghanistan, Cuba, Laos, North Korea, and Vietnam), which are subject to the statutory rates set forth in **column 2**. Specified goods from designated MFN-eligible countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the **special** subcolumn of HTS rate of duty column 1 or in the general notes. If eligibility for special tariff rates is not claimed or established, goods are dutiable at column 1-general rates. The HTS does not enumerate those countries as to which a total or partial embargo has been declared.

The **Generalized System of Preferences** (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 for 10 years and extended several times thereafter, applies to merchandise imported on or after January 1, 1976 and before the close of June 30, 1998. Indicated by the symbol "A", "A*", or "A+" in the special subcolumn, the GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries, as set forth in general note 4 to the HTS.

The **Caribbean Basin Economic Recovery Act** (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984. Indicated by the symbol "E" or "E*" in the special subcolumn, the CBERA provides duty-free entry to eligible articles, and reduced-duty treatment to certain other articles, which are the product of and imported directly from designated countries, as set forth in general note 7 to the HTS.

Free rates of duty in the special subcolumn followed by the symbol "IL" are applicable to products of Israel under the **United States-Israel Free Trade Area Implementation Act** of 1985 (IFTA), as provided in general note 8 to the HTS.

Preferential nonreciprocal duty-free or reduced-duty treatment in the special subcolumn followed by the symbol "J" or "J*" in parentheses is afforded to eligible articles the product of designated beneficiary countries under the **Andean Trade Preference Act** (ATPA), enacted as title II of Public Law 102-182 and implemented by Presidential Proclamation 6455 of July 2, 1992 (effective July 22, 1992), as set forth in general note 11 to the HTS.

Preferential or free rates of duty in the special subcolumn followed by the symbol "CA" are applicable to eligible goods of Canada, and rates followed by the symbol "MX" are applicable to eligible goods of Mexico, under the **North American Free Trade Agreement**, as provided in general note 12 to the HTS and implemented effective January 1, 1994 by Presidential Proclamation 6641 of December 15, 1993. Goods must originate in the NAFTA region under rules set forth in general note 12(t) and meet other requirements of the note and applicable regulations.

Other special tariff treatment applies to particular **products of insular possessions** (general note 3(a)(iv)), **products of the West Bank and Gaza Strip** (general note 3(a)(v)), goods covered by the **Automotive Products Trade Act (APTA)** (general note 5) and the **Agreement on Trade in Civil Aircraft (ATCA)** (general note 6), **articles imported from freely associated states** (general note 10), **pharmaceutical products** (general note 13), and **intermediate chemicals for dyes** (general note 14).

The **General Agreement on Tariffs and Trade 1994** (GATT 1994), pursuant to the Agreement Establishing the World Trade Organization, is based upon the earlier GATT 1947 (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) as the primary multilateral system of disciplines and principles governing international trade. Signatories' obligations under both the 1994 and 1947 agreements focus upon most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national treatment for imported products; the GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, dispute settlement, and other measures. The results of the Uruguay Round of multilateral tariff negotiations are set forth by way of separate schedules of concessions for each participating contracting party, with the U.S. schedule designated as Schedule XX.

Pursuant to the **Agreement on Textiles and Clothing (ATC)** of the GATT 1994, member countries are phasing out restrictions on imports under the prior "Arrangement Regarding International Trade in Textiles" (known as the **Multifiber Arrangement (MFA)**). Under the MFA, which was a departure from GATT 1947 provisions, importing and exporting countries negotiated bilateral agreements limiting textile and apparel shipments, and importing countries could take unilateral action in the absence or violation of an agreement. Quantitative limits had been established on imported textiles and apparel of cotton, other vegetable fibers, wool, man-made fibers or silk blends in an effort to prevent or limit market disruption in the importing countries. The ATC establishes notification and safeguard procedures, along with other rules concerning the customs treatment of textile and apparel shipments, and calls for the eventual complete integration of this sector into the GATT 1994 over a ten-year period, or by Jan. 1, 2005.

Rev. 8/12/97

APPENDIX B

**SELECTED PORTIONS OF THE
HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES**

(Appendix not included in the electronic version of this report.)

APPENDIX C

OTHER ATTACHMENTS

(Appendix not included in the electronic version of this report.)

105TH CONGRESS
1ST SESSION

H. R. 1677

To suspend temporarily the duty on certain chemicals.

IN THE HOUSE OF REPRESENTATIVES

MAY 20, 1997

Mr. SPRATT introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To suspend temporarily the duty on certain chemicals.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SUSPENSION OF DUTY.**

4 (a) CAPROLACTAM BLOCKED METHYLENE.—Sub-
5 chapter II of chapter 99 of the Harmonized Tariff Sched-
6 ule of the United States is amended by inserting in numer-
7 ical sequence the following new heading:

“	9902.34.02	Caprolactam blocked methylene-bis-(4-phenylisocyanate) (CAS No. 54112-23-1) (provided for in subheading 3402.90.30)	Free	No change	No change	On or before 12/31/2000	”.
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8 (b) BETA HYDROXYALKYLAMIDE.—Subchapter II of
9 chapter 99 of the Harmonized Tariff Schedule of the Unit-

1 ed States is amended by inserting in numerical sequence
 2 the following new heading:

“	9902.38.24	N,N,N ¹ ,N ¹ -tetrakis (2-hydroxyethyl)-hexane diamide (Beta Hydroxyalkylamide) (CAS No. 6334-25-4) (provided for in subheading 3824.90.90)	Free	No change	No change	On or before 12/31/2000	”.
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3 (c) EFFECTIVE DATE.—The amendments made by
 4 this section applies to articles entered, or withdrawn from
 5 warehouse for consumption, on or after the 15th day after
 6 the date of the enactment of this Act.

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